

Message Text

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ORIGIN EUR-25

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

INFO USMISSION NATO

C O N F I D E N T I A L STATE 016698

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJ: OFFSET

REF: A) BONN 1193; B) STATE 15387; C) STATE 13411

1. IN JANUARY 24 MEETING WITH AMBASSADOR VON STADEN, UNDER SECRETARY CASEY STRESSED IMPORTANCE OF RESUMING OFFSET NEGOTIATIONS SOONEST IN BONN OR WASHINGTON. RE TENTATIVE HERMES PLAN TO COMBINE NEXT ROUND WITH WASHINGTON VISIT TO ATTEND FEBRUARY 11 ENERGY CONFERENCE (REF A), CASEY EXPRESSED RESERVATIONS FOR REASONS GIVEN PARA 1 REF B. WE SHOULD DEVOTE FULL ATTENTION TO OFFSET AND MEET AS SOON AS HERMES HAS RECEIVED NEW DIRECTIVES. VON STADEN INTERJECTED THAT HERMES WOULD PROBABLY HAVE TO ATTEND EC COUNCIL MEETING FEBRUARY 4-5, MAKING IT VERY DIFFICULT TO SCHEDULE OFFSET ROUND FOR
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EARLY FEBRUARY. IN RESPONSE, CASEY OFFERED FOLLOWING

POSSIBILITIES IN ORDER OF PREFERENCE: (1) HERMES VISIT TO WASHINGTON TOWARD END OF WEEK OF FEB 4; (2) HERMES TO STAY ON HERE AFTER ENERGY CONFERENCE TO DISCUSS OFFSET; (3) CASEY VISIT TO BONN UPON HERMES' RETURN FROM EC COUNCIL. HE EMPHASIZED THAT HE WAS PERFECTLY WILLING TO GO TO BONN IF THAT WOULD SUIT HERMES' CONVENIENCE. ALSO, MEETING IN ADVANCE OF ENERGY CONFERENCE WOULD PROVIDE OPPORTUNITY IF NEEDED TO TIE UP ANY LOOSE ENDS AT SECOND SESSION FOLLOWING CONFERENCE.

2. UNDER SECRETARY SAID THAT SINCE LAST ROUND OF TALKS, WE HAD THOUGHT THROUGH PROBLEMS POSED BY RELATING THE JACKSON-NUNN REQUIREMENTS TO BILATERAL AND MULTILATERAL OFFSET NEGOTIATIONS. WE WERE NOW READY TO NEGOTIATE AND TIME WAS OF THE ESSENCE. THE PRESIDENT'S FIRST REPORT TO CONGRESS ON JACKSON-NUNN WAS DUE FEBRUARY 15. THE MORE PROGRESS HE COULD REPORT, THE BETTER.

3. CASEY STRESSED THAT JACKSON-NUNN AMENDMENT REQUIRES PRESIDENT (WITHOUT IMPOSING SANCTIONS) TO SEEK ABSORPTION BY OUR ALLIES OF INCREMENTAL U.S. BUDGETARY COSTS. PRESIDENT CONSIDERED THIS ELEMENT OF PARTICULAR IMPORTANCE. CASEY EXPRESSED HOPE THAT FRG WOULD RECONSIDER ITS POSITION ON ABSORPTION OF SERVICE COSTS. IT WAS MOST IMPORTANT TO INCLUDE SUCH COST SHARING IN ADDITION TO PRESENT OFFER OF BARRACKS REHABILITATION AND TAX REMISSION. ACCEPTABILITY TO CONGRESS OF SOFTER OFFSET COMPONENTS WOULD INCREASE IN DIRECT PROPORTION TO FRG WILLINGNESS TO ABSORB RECURRING SERVICE COSTS.

4. AT C-20 ROME MEETING, TREASURY UNDER SECRETARY VOLCKER HAD PROPOSED TO POEHL THAT FRG PICK UP \$175 MILLION ANNUALLY IN LOCAL COSTS. ACCEPTANCE OF THIS PROPOSAL WOULD PLACE US IN GOOD POSITION TO SATISFY JACKSON-NUNN REQUIREMENTS. FURTHER, WE HOPE FOR SOME INCREASE IN MILITARY AS WELL AS INCREMENTAL CIVILIAN PROCUREMENT PACKAGE.

5. REMAINING GAP WOULD THEN BE LESS FORMIDABLE THAN WE HAD ORIGINALLY FEARED. COULD BE BRIDGED THROUGH CONFIDENTIAL

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SUCH MEASURES AS ALLOWING BOP REFLOW CREDIT AND ARRANGING FOR LOANS AND/OR ADVANCE DEPOSITS. CONCERNING REFLOW, UNDER SECRETARY EXPLAINED THAT GIVEN NEGATIVE POSITION TAKEN BY GAO, WE MUST DEVELOP STRONG JUSTIFICATION FOR CREDIT AS HIGH AS 20 OF TOTAL EXPENDITURES USED IN PREVIOUS AGREEMENTS. WE WERE PREPARING STUDIES JUSTIFYING REFLOW CREDIT IN GENERAL TERMS, AND
ADDITIONAL FRG ANALYSIS BASED ON GERMAN DATA

AND FIGURES WOULD BE MOST HELPFUL INPUT.

6. AMBASSADOR VON STADEN UNDERTOOK TO CONVEY UNDER
SECRETARY'S POINTS AND SUGGESTIONS RE TIME AND PLACE
OF NEXT OFFSET ROUND TO BONN.

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